

Proposed Metropolitan District Changes

**Stakeholder Webinar
July 15, 2020**

City of Thornton staff

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- Grant Penland, Planning Director
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- Kimberly Newhart, Finance Director
- Rachel Walsh, Senior Financial Analyst
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Presentation Overview

- Background
- Summary of changes
- Next steps
- Additional questions and discussion



Background

What is prompting the changes?

- Increasing complaints from Thornton homeowners about metro district taxes
- News highlighting practices of some districts that financially benefit developers at expense of tax payers
- City Council direction to address concerns

Background

What is the goal of the changes?

- Balance needs of developers and homeowners
 - Ensure developers can continue to use metro districts to fund necessary infrastructure
 - Ensure homeowners are adequately informed about tax obligations, and protected from excessive tax burdens
- Changes intended for residential districts only

Topics Addressed



1. Debt Mill Levy and Debt



2. Operating Mill Levy



3. Disclosure Requirements



4. Expiration Date of Service Plan & IGA



5. Service Plan Compliance Remedies



6. Approved Conceptual Site Plan Requirement



7. City Website as Information Portal for Metro Districts



Debt Mill Levy and Debt

Intent of Changes:

- **Debt Mill Levy**
 - Address concern about unlimited Debt Mill Levy
- **Debt and Interest Rates**
 - Require itemization of costs justifying debt amount
 - Recognize that developer advances or other loans become financial obligations that residents have to pay back
 - Obtain lowest interest rates on debt, developer advances or other loans



Maximum Debt Mill Levy

Current Requirements:

- If debt is $> 50\%$ of district's assessed valuation, Maximum Debt Mill Levy is 50 mills
- If debt is $\leq 50\%$ of district's assessed valuation, district not subject Maximum Debt Mill Levy
- Allows for Gallagher adjustment



Maximum Debt Mill Levy

Proposed Changes for Residential Districts:

- **Option 1:** 50 mill limit, no allowance for unlimited mill levy
- **Option 2:** Debt mill levy could become unlimited only after residents control the District Board and debt is $\leq 50\%$ assessed valuation
- **Option 3:** Board may request City Council approval for debt mill levy to become unlimited once debt is $\leq 50\%$ assessed valuation



Debt and Interest Rates

Current Requirements:

- Does not address Developer Advances or other loans
- Debt must be issued at market rate
 - Does not address interest rates on other financial obligations such as Developer Advances
 - Does not address refinancing
- Engineer's Estimate of Probable Cost required but not currently included as service plan exhibit



Debt and Interest Rates

Proposed Changes:

- Total Debt Limitation to include long-term financial obligations such as Developer Advances
- New Service Plan Exhibit “Engineer’s Estimate of Probable Costs”
- If new debt is issued at lower interest rate than initial debt, outstanding debt must be refinanced and included in new debt issuance
- Interest rates of Developer Advances/loans must equal terms of debt or current market rate



Operating Mill Levy

Intent of Changes:

- Limit taxes imposed on residential properties for ongoing operations and maintenance and clarify what this mill levy can pay for

Current Requirements:

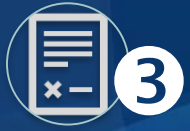
- No mill levy cap for ongoing operation and maintenance



Operating Mill Levy

Proposed Changes:

- Defines Operating Mill Levy and what it can pay for
- Defines residential Maximum Operating Mill Levy
 - Option 1: Maximum Operating Mill Levy = 10 mills
 - Option 2: Maximum Operating Mill Levy = 10 mills unless resident-controlled Board votes to increase
 - Option 3: Board may request City Council approval to increase Maximum Operating Mill Levy



③

Disclosure Requirements

Intent of Changes:

- Ensure that homebuyers are explicitly informed in understandable language about the purpose and financial impact of buying a home within a metro district

Current Requirements:

- Nominal requirement for district to use reasonable efforts to disclose impact of mill levy and fees

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Disclosure Requirements

Proposed Changes:

- Disclosure must include specified information
- Adds disclosure form as exhibit to service plan
- Form must be signed by homebuyer at time of purchase contract to acknowledge receipt
- If subdivision plat is already recorded, district shall record disclosure notice prior to any building permits being issued
- District required to create and maintain a website with specified information



④ Expiration of Service Plan and IGA

Intent of Changes:

- Ensure that the district's service plan is based on accurate and up-to-date identification of eligible improvements, costs and necessary financing
- Prevent numerous amendments requesting debt increases

Current Requirements:

- No expiration requirement from City



④ Expiration of Service Plan and IGA

Proposed Changes:

- Service Plan expires if debt is not issued within five years of the date of approval
- Intergovernmental Agreement expires if debt is not issued within five years of date of service plan approval
- District will be required to request a new or reinstated service plan/IGA with updated information once development is ready to occur and debt will be issued



5 Service Plan Compliance Remedies

Intent of Changes:

- Clarify service plan amendment requirements
- Add paragraph to service plan that more clearly identifies City remedies for material departures from approved service plan

Current Requirements:

- City Code Section 66-65 identifies remedies
- Model service plan includes a sentence in “Service Plan Amendment Requirement” with less detail than City Code



5 Service Plan Compliance Remedies

Proposed Changes:

- Removes remedy language from 'Service Plan Amendment Requirement' paragraph and refocuses content of that paragraph on amendments
- Adds new paragraph addressing City remedies for material departure from service plan
 - Injunctive relief shall not be the City's exclusive remedy
 - City entitled to exercise all remedies available by law or in equity, including remedies set forth in City Code and suits for specific performance and/or monetary damages



6 Conceptual Site Plan Requirement

Intent of Changes:

- Development should have approved CSP to demonstrate need for district, identify accurate public improvement costs and justify debt amount

Current Requirements:

- No codified requirement
- Staff has to negotiate changes to the service plan on a case-by-case basis when there's no approved CSP



6 Conceptual Site Plan Requirement

Proposed Changes:

- Amend City Code to require that a service plan approved prior to a CSP will not have authorizations for debt issuance or imposition of mill levies or fees
- District may still go through the organizational election
- City Council approval of a service plan amendment and an IGA required to identify debt and mill levy/fee authorizations once the CSP is approved



City Website Changes

Intent of Changes:

- Provide better transparency and clearinghouse of metro district information for residents and potential homebuyers
- Ensure application information is up to date

Current Requirements:

- Current website set up mainly for applicants with basic application resource information



City Website Changes

Proposed Changes:

- For residents:
 - Add FAQs and links to DOLA's page
 - Identify disclosure requirements
 - Include map and list of all metro districts in Thornton, link to interactive map
- For district applicants:
 - Ensure most up to date application information and forms are on website

Next Steps

- **Additional feedback and revisions** (July 15 – August):
 - Staff will consider feedback
 - Email additional comments and suggestions on how to address any concerns
- **Council Planning Session** (tentatively August 2020):
 - Staff will present changes and report out on comments received
 - Council will give direction on proceeding with some or all of the changes
 - Council may direct additional public outreach
- **Public Hearing** (after August 2020):
 - If directed, final changes will be presented at a public hearing
 - Email Karen Widomski if you need notice of public hearing

QUESTIONS AND DISCUSSION

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